

EXHIBIT 21

Sacramento, CA

<p style="text-align: right;">Page 591</p> <p>1 A. Yes.</p> <p>2 Q. Second to the last paragraph on that</p> <p>3 page the first sentence reads "It is clear and well</p> <p>4 documented that pharmacy reimbursement</p> <p>5 methodologies that rely on AWP and a low dispensing</p> <p>6 fee overpay pharmacies for drug ingredient costs</p> <p>7 and underpay them for the cost of dispensing the</p> <p>8 drug."</p> <p>9 Did I read that correctly?</p> <p>10 A. Yes.</p> <p>11 Q. Is that consistent with your</p> <p>12 understanding of pharmacy reimbursement methodology</p> <p>13 that rely on AWP?</p> <p>14 A. Yes.</p> <p>15 Q. And how long have you had that</p> <p>16 understanding?</p> <p>17 A. Again, as I previously stated, the late</p> <p>18 nineties.</p> <p>19 Q. If you turn to page 2, you'll see that</p> <p>20 under the heading "Drug Ingredient Costs" the first</p> <p>21 paragraph goes through some of the findings of the</p> <p>22 Myers and Stauffer study that we talked about</p>	<p style="text-align: right;">Page 593</p> <p>1 implemented minus 10 percent occurred before or</p> <p>2 after June of 2002?</p> <p>3 A. That is correct.</p> <p>4 Q. You would agree with me, though, that</p> <p>5 the rate study was referenced in the state's</p> <p>6 attempts to -- in the state's communications with</p> <p>7 CMS to seek approval of the AWP minus 10 percent?</p> <p>8 A. Yes.</p> <p>9 Q. The last paragraph on that page --</p> <p>10 Scratch that.</p> <p>11 The second to the last -- the second to</p> <p>12 last paragraph in the page, last sentence, states</p> <p>13 "Therefore, the Department proposed using a single</p> <p>14 and differentiated rate equal to AWP minus 20</p> <p>15 percent."</p> <p>16 Do you understand that to mean that the</p> <p>17 -- that they were not proposing to reimburse</p> <p>18 generics differently?</p> <p>19 A. That is correct.</p> <p>20 Q. And then the first sentence of the</p> <p>21 following paragraph states "A rate of AWP minus 20</p> <p>22 percent is still significantly higher than the</p>
<p style="text-align: right;">Page 592</p> <p>1 earlier; correct?</p> <p>2 A. Yes.</p> <p>3 Q. And in the last sentence it reads "It's</p> <p>4 clear from the information that the Department's</p> <p>5 current rate of AWP minus 10 percent does not</p> <p>6 accurately reflect the drug acquisition costs in</p> <p>7 the marketplace;" correct?</p> <p>8 A. Yes.</p> <p>9 Q. Do you agree with that statement or is</p> <p>10 that consistent with your understanding at the</p> <p>11 time?</p> <p>12 A. Yes.</p> <p>13 Q. The rate referenced there, AWP minus 10</p> <p>14 percent, was adopted after the study was performed;</p> <p>15 correct?</p> <p>16 A. I don't recall.</p> <p>17 Q. The rate of AWP minus 10 percent was --</p> <p>18 didn't become effective until after the Myers and</p> <p>19 Stauffer study was released; correct?</p> <p>20 A. That's correct.</p> <p>21 Q. I take it you don't recall whether the</p> <p>22 specific legislation or budget proposal that</p>	<p style="text-align: right;">Page 594</p> <p>1 pharmacy acquisition cost of generic drugs."</p> <p>2 Did I read that correctly?</p> <p>3 A. Yes.</p> <p>4 Q. Is that consistent with your</p> <p>5 understanding at the time?</p> <p>6 A. Yes.</p> <p>7 Q. Did you have that understanding also</p> <p>8 going back to the late nineties, that AWP minus 20</p> <p>9 percent is significantly higher than pharmacy</p> <p>10 acquisition costs for generic drugs?</p> <p>11 A. Yes.</p> <p>12 Q. Last sentence of that paragraph or that</p> <p>13 page, I guess, going over to the next page, "The</p> <p>14 reimbursement of generic drugs will still be</p> <p>15 significantly above pharmacy's acquisition costs."</p> <p>16 And then it goes on.</p> <p>17 Did I read that correctly?</p> <p>18 A. Yes.</p> <p>19 Q. Do you understand that to --</p> <p>20 Withdrawn.</p> <p>21 So was it your understanding to the</p> <p>22 extent you recall this proposal that the</p>

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<p style="text-align: right;">Page 595</p> <p>1 reimbursement rate of AWP minus 20 percent was made</p> <p>2 knowing that reimbursement on that basis would be</p> <p>3 significantly higher than acquisition costs for</p> <p>4 generic drugs?</p> <p>5 A. Yes.</p> <p>6 Q. And then the -- further down on that</p> <p>7 page there's a paragraph with the heading "Impact</p> <p>8 on Access" that refers to stakeholder meetings.</p> <p>9 Do you recall having stakeholder meetings</p> <p>10 prior to this legislative proposal?</p> <p>11 A. Not that I can recall.</p> <p>12 Q. Do you recall during any discussions for</p> <p>13 changing the reimbursement rate having meetings</p> <p>14 with stakeholders?</p> <p>15 A. Not that I -- not that I can recall.</p> <p>16 Q. Do you have an understanding as to what</p> <p>17 the document -- is referring to when it refers to a</p> <p>18 "stakeholder"?</p> <p>19 A. Yes.</p> <p>20 Q. Would that be a reference to providers</p> <p>21 of medical -- Medi-Cal?</p> <p>22 A. Yes, amongst others.</p>	<p style="text-align: right;">Page 597</p> <p>1 want to make sure that that objection's on the</p> <p>2 record and while we would prevail on whatever</p> <p>3 motion was required to retract this, I would ask</p> <p>4 that all the testimony that was given in connection</p> <p>5 with it be redacted, but, obviously, we'll take</p> <p>6 that up later.</p> <p>7 VIDEOGRAPHER: This is the end of tape</p> <p>8 two, volume two, of the deposition of Kevin</p> <p>9 Gorospe.</p> <p>10 We are off the record at 2:21 p.m.</p> <p>11 (Thereupon a recess was taken at 2:21</p> <p>12 p.m. and the deposition resumed at 2:31</p> <p>13 p.m.)</p> <p>14 VIDEOGRAPHER: This is the beginning of</p> <p>15 tape three, volume two, of the deposition of Kevin</p> <p>16 Gorospe.</p> <p>17 We are back on the record at 2:31 p.m.</p> <p>18 MR. BENNETT: I'd like to mark this</p> <p>19 Exhibit 53, I think we're on.</p> <p>20 (Exhibit Gorospe 053 was marked for</p> <p>21 Identification.)</p> <p>22 BY MR. BENNETT:</p>
<p style="text-align: right;">Page 596</p> <p>1 Q. And others might be beneficiaries, other</p> <p>2 organizations that have some interest in the -- in</p> <p>3 the Medi-Cal program?</p> <p>4 A. That's correct.</p> <p>5 Q. Would you agree that this paragraph</p> <p>6 reflects consideration on the part of --</p> <p>7 Or is it your understanding of this</p> <p>8 paragraph that Medi-Cal was considering whether the</p> <p>9 proposed change would affect beneficiaries' access</p> <p>10 to care?</p> <p>11 A. Yes.</p> <p>12 Q. And do you recall in 2004 when rate</p> <p>13 changes were discussed considering access to care</p> <p>14 as a -- a policy matter?</p> <p>15 A. Yes.</p> <p>16 MR. BENNETT: I think we need to break</p> <p>17 for a tape. So --</p> <p>18 MR. PAUL: Okay. Just to restate my</p> <p>19 concern earlier with regard to this, I think I</p> <p>20 stated on the record but I'm not sure I mentioned</p> <p>21 that we were talking about Exhibit 52, although I'm</p> <p>22 sure it's fairly obvious from the transcript, but I</p>	<p style="text-align: right;">Page 598</p> <p>1 Q. Exhibit 53 has labeled CAAG/DHS 0084626</p> <p>2 and 627.</p> <p>3 Dr. Gorospe, do you recognize this</p> <p>4 document?</p> <p>5 A. Yes.</p> <p>6 Q. Can you describe it for us?</p> <p>7 A. It appears to be a description of</p> <p>8 Medi-Cal pharmacy reimbursement related to a</p> <p>9 reimbursement proposal and various data related to</p> <p>10 acquisition cost of drugs relevant to AWP, also</p> <p>11 describes briefly points about the -- study of</p> <p>12 Medi-Cal pharmacy reimbursement.</p> <p>13 Q. Did you draft this document?</p> <p>14 A. Not that I can recall, no.</p> <p>15 Q. Do you recall receiving a copy of the</p> <p>16 document?</p> <p>17 A. Yes.</p> <p>18 Q. Do you know who would have drafted it,</p> <p>19 if not yourself?</p> <p>20 A. Somebody within the Pharmacy Section.</p> <p>21 Q. And the Pharmacy Section, as you've</p> <p>22 described with the previous document, encompasses</p>

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